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ABSTRACT

This guide was designed by the Michigan State Department to assist local school district personnel in the use of Guaranteed Performance Contracting (GPC) by providing a framework of suggested procedures. (CK)

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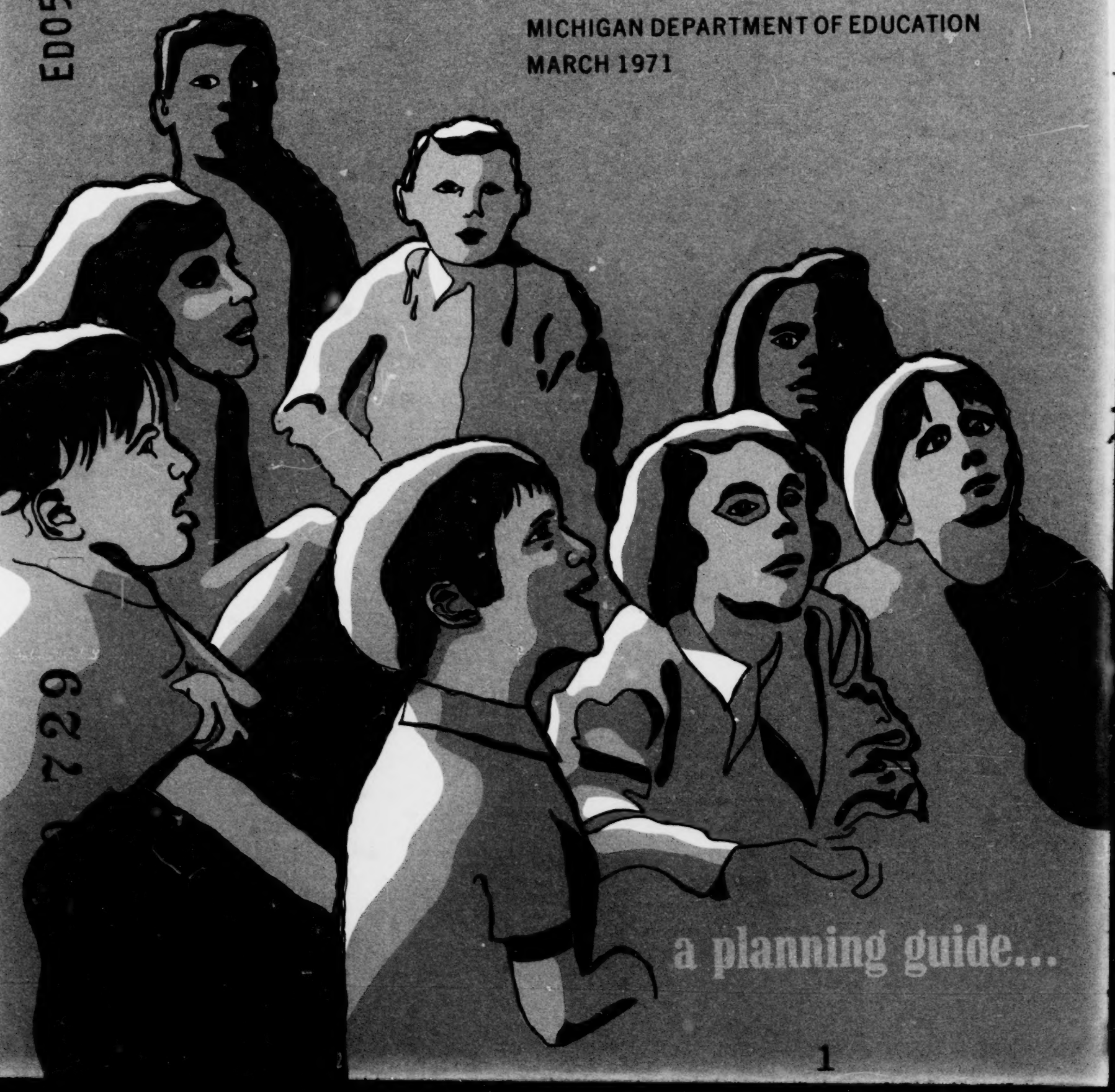
AN INTRODUCTION TO.....

# Guaranteed performance contracting

MICHIGAN DEPARTMENT OF EDUCATION

MARCH 1971



a planning guide...

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# AN INTRODUCTION TO
# GUARANTEED PERFORMANCE CONTRACTING
## A Planning Guide

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# FOREWORD

During the past year, there has been a marked growth of interest on the part of local school districts in guaranteed performance contracting.

The State Board of Education has taken cognizance of this growing interest, especially as it relates to the "Right to Read" program and to upgrading achievement in computational skills. The staff of the Department of Education has tried to be of service to ever growing numbers of school districts intrigued by the possibilities of guaranteed performance contracting but also aware of the existence of hazards. This bulletin is a result of these developments.

The basic function of this publication is to serve as a guide for the use of local district personnel as they consider the issues and problems associated with guaranteed performance contracting. While the initial manuscript was developed by the staff of the Michigan Department of Education, it has been reviewed by representatives of the Michigan school districts involved in guaranteed performance contracting within the state; some out-of-state school districts; representatives of statewide organizations of teachers, administrators, and school board members; and representatives of some of the contractors. Not all of the suggestions for change have been incorporated and perhaps not all of the included ideas are totally acceptable to every person involved. Yet the staff is now satisfied that the bulletin should be of real help to local school districts as they weigh the pros and cons of performance contracting. Not only does it list the possible advantages of guaranteed performance contracting but also calls attention to some of the precautions to be taken and indicates the significant elements to be included as such contracts are effectuated.

I am deeply appreciative of the contributions of all who have worked on the writing and review of this bulletin.

John W. Porter
Superintendent of
Public Instruction

MICHIGAN DEPARTMENT OF EDUCATION

# AN INTRODUCTION TO GUARANTEED PERFORMANCE CONTRACTING

## A Planning Guide

## Section 1: Introduction

### 1-1: Purpose of Guide

This publication attempts to offer to local boards of education and administrators a practical framework for educational planning relative to guaranteed performance contracting. It is important here that ample "lead time" be allotted for careful step-by-step preparation prior to entering into a contract for guaranteed instructional services. The total school community should be involved in such an effort. The suggestions and recommendations outlined in this bulletin do not represent a regulatory code nor are they intended to reflect Michigan Department of Education official policy. This guide is prepared for district personnel to be used as a matrix for reference and planning purposes relative to guaranteed performance contracting.

### 1-2: Concept of Accountability

The lineage of guaranteed performance contracting stems from the philosophical position of educational accountability; namely, a growing conviction among many educators and lay spokesmen that instructional programs can benefit from a

"systems" approach -- a one-to-one relationship between teaching and learning. Such an approach calls for the precise monitoring of instructional input and output with specific objectives being met by specific instruction and pupil gains which can be verified objectively. Accountability addresses itself to the premise of responsibility for pupil learning. There are two essential prerequisities for the assumption of this responsibility. The first is access to information about performance in every phase of the educative network -- from pupil to administrator. The second prerequisite is the assignment of the necessary power to control and change those conditions responsible for pupil performance. Accountability, then, is an even complex of data availability, definition of responsibility, and bestowal of authority.

1-2.1: Some Component Parts of Accountability Concept

There are varying opinions as to the inherent components of the concept of accountability. Most authorities agree, though, that guaranteed performance contracting is but one facet of the greater accountability idea. Other components which might be dealt with singly or in combination separate from contracting would include needs assessment, community involvement, technical assistance, performance objectives, change strategies, management system, performance budgeting, staff development, program monitoring, evaluation, cost effectiveness, and program audit. These components will be referred to from time to time later in this guide.

### 1-2.2: Role of Incentives as Motivation Toward Accountability

A basic ingredient of many guaranteed performance contracts and accountability models is a system of incentives. A tangible reward plan is often used as a stimulus for improved performance on the part of administrators, teachers and students.

## 1-3: Concept of Guaranteed Performance Contracting

Guaranteed performance contracting, as a philosophical construct, may be viewed as one alternative among several options inherent in curriculum management. As a concept, it may be viewed as an administrative vehicle to be used for obtaining certain predetermined objectives vis a vis pupil achievement. Simply stated, the guaranteed performance contract means the "leasing out" to a private entrepreneur, an internal group such as a school's professional staff, or an external agency, such as a university or professional organization, certain defined instructional responsibilities in one or more components of the educational program. Other configurations of this activity are a matter of the contractual agreement itself and not an inextricable part of the concept. Guaranteed performance contracting, then, does not necessarily prescribe a type of pedagogy, nor does it insist upon operant conditioning, contingency management, or differential staffing. The contract may simply stipulate that, at a designated future point in time, certain specific pupil achievement gains will be realized and documented -- and at an agreed-upon cost per pupil, or no amount of public funds should be paid.

## 1-4: Current Status of Guaranteed Performance Contracting

Guaranteed performance contracting for instructional services is new to Michigan and to the United States. During the 1969-70 school year one contract was reported in the nation. While there are additional contracts in operation for 1970-71, the total number is relatively small. In Michigan there are presently five school districts with guaranteed performance contracts. (See Appendix for listing of state and out-of-state school districts engaged in guaranteed performance contracting.)

It is conceivable that the overall effects of the guaranteed performance contract idea in education will be substantially broader than the impact currently limited to those districts actually writing such agreements. There are signs that the publicity surrounding guaranteed performance contracting has prompted widespread concern and debate among school people and lay citizens alike. Newspapers, magazines and professional journals have given the subject wide coverage and many professional conferences now include a session devoted to accountability and/or contracting. (See Appendix for bibliography.)

The results of this activity and interest will probably have a profound influence upon educational planning. Whether a school district enters into a contract or not, the school community in all probability will have done some collective scrutiny and appraisal of their instructional goals, objectives, and outputs. Boards of education, the professional staff, and the community will be asking such questions as: Are the results

of our education program consistent with objectives and pedagogical strategies? Are there techniques available to guarantee predetermined pupil performance which can be measured?

As educators and boards of education gain more experience in the area of guaranteed performance contracting and longitudinal research can be fulfilled, this guide may be revised or perhaps a more detailed technical assistance section may be developed and added at a later date.

## Section 2: The Planning Stages

### 2-1: Local Determination of Desirability for Guaranteed Performance Contracting

Entering into a guaranteed performance contract for instructional services ought to be considered a serious step for a school district. Planning, programming, and budgeting in curriculum areas should engage school officials as deeply as building a new high school or buying a fleet of buses. If possible, the decision relative to guaranteed performance contracting should be one arrived at only after a thorough examination of all possible variables. The following steps are suggested as important considerations prior to the selection of contracting as the appropriate means for curriculum renewal.

#### 2-1.1: Conducting a Study of Needs

First, the process of determining the feasibility for guaranteed performance contracting requires a careful scrutiny of the existing instructional program, particularly in terms of pupil outputs. Questions should be posed and answered quantitatively about pupil achievement in various subjects and at all grade levels. Student performance in high school should be researched and data reflecting dropouts, vocational placement, and college success should be gathered. Of particular interest and value would be comparative data derived from standardized achievement instruments. In determining student needs, a careful review should be made of the Michigan educational

assessment data for the local district. Such data should provide comparative insights not available from standardized instruments providing only national norms. Specifically, those children who are not doing well in school ought to be identified. Their strengths and weaknesses should be charted graphically so that a profile of the district's instructional "box score" would be clearly visualized.

The needs study ought to involve participation by the local district professional staff, the community and possibly outside sources. A school-community ad hoc council might be formed to appraise the study and provide advisory service to the local board of education. The school and community could cooperatively establish priorities of instructional needs and decide together how best to cope with them.

2-1.2: Appraisal of Local Resources Relative to Needs

Because guaranteed performance contracting is only one method of dealing with the district's defined educational needs, it would appear logical that the school-community advisory group investigate all options available to it for strengthening the instructional program. Thus, another study, that of local resources should be undertaken to determine whether the local district can resolve its own recognized needs without assistance from the outside. This appraisal ought to be thorough and objective, and include in its purview at least the following contributions: local staff capability

for delivery, resources for inservice training, managerial efficiency in curriculum control, and cost effectiveness factors relative to raising pupil achievement. In brief, this subsection asks the district whether it can itself produce the same gains as an independent contractor. It also asks whether the school district employing its own internal resources can apply a systems approach to instruction and obtain significant results at the same or less cost per pupil than could an outside contractor.

### 2-1.3: Designation of a Project Director

From the point in time that a guaranteed performance contract appears to be the logical vehicle toward resolving instructional needs, it is most important that a local project director be assigned. The position of project director may or may not be a full time position depending on size of project and the assigned responsibility. The superintendent of schools usually cannot devote the amount of time and attention necessary to coordinate all of the planning phases and negotiations which will require the concentrated efforts of one key professional. The project director may supervise all related activities from the needs assessment through the completion of turnkey (see 2-1.6 on page 11).

## 2-1.4: Prediction of Possible Effects of a Guaranteed Performance Contract

Some vital questions before a decision can be made in favor of guaranteed performance contracting: Will there be side effects which might hamper the progress of the project and produce new and perhaps more serious problems? How receptive is the community to the idea of guaranteed performance contracting for curriculum services? Has the district solicited and evaluated teacher organization reaction to possible outside controls seemingly inherent in the concept of guaranteed performance contracting? Are the internal line-staff relationships and communications network within the district open and sound enough to solve problems emerging from contracting? Time must be taken to pause and seriously consider whether the district's present administrative structure will be a compatible host to the kind of organizational innovation required by the entry of the outside contractor. It may require major adjustments in many responsibilities including authority and relationships and other adjustments which personnel in the district might be unwilling to make. It is probable that such an investigation might in itself alleviate many of the potential difficulties. In any case, it is strongly recommended that the school district board, staff, and community "touch base" realistically in each of these areas.

2-1.5: Management Support

A district when choosing to enter a guaranteed performance contract must recognize that added responsibility will be placed on the administrative staff while both negotiating and implementing the contract. The district should determine whether its present administrative staff has the time and expertise to handle such responsibility. If not, the district may choose to hire additional qualified administrative assistance or it may contract with an outside management support group. Such groups now exist and others are being developed on a commercial basis. The State Department of Education can also be of limited assistance. It is again emphasized that a decision to engage outside assistance should not be made until the district has explored the capabilities of its own resources.

When a local school district decision is made to secure management support, it should also plan to allot a portion of the proposed budget for such services. Some management groups may be engaged for a small percentage of the performance contract. Another alternative, one appropriate for a small contract, would be for the district to employ management support on a per diem basis, the number of days depending on the needs and the resources of the local district.

Generally, management support may perform some or all of the following functions: needs assessment, assist school administrators with the development of performance objectives, the development of the request for proposals (RFP) and bidders list,

and the assessment of bids received. Once the program becomes operational, the management support group usually assists the project director with such responsibilities as record keeping, monitoring, determining cost effectiveness, public relations, and other factors relevant to contract management. It is expected that the management support group may also provide the necessary assistance to satisfactorily implement the takeover of the contract by the local school district through its own capabilities (turnkey provisions).

2-1.6: Local School District's Assumption of Program (Turnkey)

Early in the planning stages for guaranteed performance contracting, it is crucial to provide for turnkey. Even though certain responsibilities are being delegated to an external agency, the goal of eventual local district operation and control should be kept clearly visible and implemented in all appropriate contractual provisions including management support.

2-2: Develop Time Line or Critical Path

Once the decision has been made to enter into a contract for guaranteed instructional services, a time line should be projected. This is a necessary first step if all of the phases are to be accomplished without unrealistic deadlines and subsequent haste. Serious omissions might be made if the time schedule is not designed to appropriately accommodate the tasks or if the proper intervals are not respected.

The first date on a time line should be the final one -- the turnkey. Working backward from that date, the school officials might then venture some specific predictions. While each time line will differ according to local variables, the following hypothetical illustration is a suggested planning matrix:

| | |
|---|---|
| December 1, 1970 | - Appoint local project director |
| January 1, 1971 | - Develop school-community council |
| February 1, 1971 | - Completion of needs study |
| February 15, 1971 | - Determination of goals |
| March 15, 1971 | - Completion of performance objectives |
| May 1, 1971 | - Complete RFP's and mail to bidders |
| June 15, 1971 | - Assess bids and select contractor |
| September 10, 1971 | - Project begins |
| Late September or October | - Pretest |
| November 1, 1971 | - Interim evaluation |
| February 1, 1972 | - Interim evaluation |
| April 1, 1972 | - Interim evaluation |
| June 1, 1972 | - Final evaluation |
| November 1, 1972 | - Post evaluation |
| September 1, 1973 | - Turnkey - District implements program and continues evaluation for longitudinal study of pupil gains |

## 2-3: Express Needs as Performance Objectives and Design Evaluation Procedures

When a school considers entering into a guaranteed performance contract, there is the implication that an accurate assessment has been made of the behavior of students and/or teachers, parents, community, and administrators with an attendant desire to modify the behavior of one or more of these groups. There is a second implication, namely, that this modification may be best achieved through contractual arrangement with someone or an agency outside the school system.

Prerequisite to successful negotiations between the two parties will be the necessity for the first party (the school) to clearly identify and describe the subjects of the modification, the institutional and instructional resources available, and the desired outcomes (goals and objectives). The subjects of the modification and the available resources may appropriately be considered the independent variables, while the desired outcomes may be considered as the dependent variables.

The description of the independent variables might partially include such items as the number of students to be involved, their age and grade levels, their achievement and IQ levels, the number of teachers, administrators, aides, and their respective qualifications, the instructional time available for the contracted experience, the number and description of classrooms and other rooms available, an inventory and description of instructional equipment and materials available, a description of the community, and the amount and source of the money available for the eventual contract.

One of the most crucial aspects of the entire process of guaranteed performance contracting is its evaluation design and the writing of related behavioral objectives which should answer such questions as who or what is to change, in what area is the change desired, what degree of change is sought, how will it be determined if the change has actually taken place, and to what degree it has taken place. It is likely that there will be several objectives for both the student

participants and others involved in the program. The following is illustrative of one objective relative to reading performance:

> Each fourth grade pupil assigned to the Beta School shall, by June 1, 1972, achieve a 4.9 grade level equivalency score or higher in reading comprehension as measured by the comprehension sub-tests of two nationally normed standardized reading achievement instruments.

The preceding example indicates the use of standardized achievement tests as the instruments that will determine whether the objective is met. It should be pointed out that criterion-referenced tests are usually more appropriate than standardized achievement tests for measuring the degree of attainment toward objectives, especially when the students involved have achievement rates that depart markedly from the norm. However, appropriate criterion-referenced tests are not readily available, if available at all, and the development of good criterion-referenced tests would be time consuming and difficult. Examples of objectives that contain criteria references are as follows:

(1) Each fifth grade pupil assigned to the Beta School shall by June 1, 1972, be able to orally name with 90% accuracy the 50 states of the United States when given a United States map with the states outlined;

(2) Each sixth grade pupil assigned to the Beta School shall by June 1, 1972, be able to identify with 80% accuracy simple, compound, and complex sentences when given a written list of twenty-five sentences.

The foregoing objectives indicate measurement at the end of the contract year. It is also advisable that the evaluation design provide for specified interim objectives and measurement to ascertain whether progress is being made toward attainment

of objectives. The payout schedule to the contractor should be contingent upon reaching interim objectives as well as terminal objectives. Payouts can be based on standardized test results, criterion-referenced test results, or on a combination arrangement.

The process by which the treatment is given should be carefully described and monitored to give assurance that the process can be turnkeyed if it gives evidence of success.

In summary, (1) Needs should be determined; (2) Goals should be stated; (3) Behavioral objectives should be derived from the goals and stated precisely; (4) Baseline data should be gathered; (5) Treatment should be described unless proposal of treatment is requested from the bidders; (6) Interim and end of contract evaluation procedures should be specified; and (7) Payout terms should be definitely stated. As a matter of caution, schools must recognize the possibilities of teaching the test and take necessary precautions.

The school will also be concerned with the evaluation of the students' progress in subject matter areas not covered by the contract to see if there are indications of adverse or complementary effects. Another concern will be the post contract, long term retention of gains that were realized during the contracted period. Whether or not these concerns are reflected in the contract, the school should take them into account in judging the success of the contractual arrangement.

2-4: Request for Proposals (RFP)

The request for proposal is an accurate narrative description of the educational and related conditions found in the school district. This description may include: the educational needs of the children to be served, the limitations of funding and calendar, the resources of the school district, the resources to be acquired from outside of the school district, and the desired objectives of the project. The most important component of the RFP is the documentation of the educational needs of the school district. The RFP should concern itself directly with the instructional expectations as stated in the performance objectives.

2-5: Models of Guaranteed Performance Contracting

A district should first explore the possibilities of effectuating a performance contract with a group of its own employees. There are also several models of guaranteed performance contracting presently available from commercial educational firms. A district should investigate the advantages and disadvantages of each.

2-5.1: Model 1 - Competitive Guaranteed Performance Contracting

RFP's should be forwarded to those firms that appear to have a system that is consistent with the educational philosophy of the school district and potentially capable of meeting the defined objectives. A bidders list should be maintained and drawn up

from contracting firms who qualify by reason of their reputation, experience in the field, and financial solvency. This is a rapidly growing field and the potential bidders list is constantly changing.

The firms then submit their proposals to the school district. The district evaluates each proposal. Following the evaluation of the proposals, the contract is developed which is mutually agreed upon.

2-5.2: Model 2 - Sole Source Guaranteed Performance Contracting

In this type of situation, the school district selects an educational firm that it believes can meet the needs in a certain area such as reading. As commercial firms write more contracts and become more sophisticated in program design, they are developing ready-made plans that are easily adapted to the conditions portrayed by the districts when requesting a proposal. The company chosen is given the necessary information concerning the target population, time and cost limits, and the needs of the population. The contractor is then requested to submit a proposal that will meet the needs of the children and one which reflects the accepted theory of learning for the district. Caution should be used in using this model due to the lack of competitive bidding.

2-5.3: Model 3 - Modified Sole Source

This model provides various choices to the school district dependent on time and available funds. Instead of involving one firm as in the sole source model, three to four firms are contacted and requested to submit proposals. The initial procedures for the sole source model must be followed here also. The companies are invited to a joint conference after the school district has had the opportunity to study and evaluate their proposals. The contracting firms are permitted to bid against one another. Costs and services are presented. This process affords the school district the opportunity to evaluate the opinions and proposals of each of the bidding firms.

2-5.4: Model 4 - Comparative Guaranteed Performance Contracting

If this model is to be utilized, the school district should go through the preliminary phases as it would if it chose any one of the three models above. After the preliminary work is done, the district selects two firms judged to have equal potential for solving the stated problem. The district then divides the children involved in the project area(s) as evenly as possible between the two firms. The use of this model places the project in a research setting, enabling the local district to study methods and results relative to eventual turnkey decisions.

2-6: Selection of Contractor and Negotiation Phase

2-6.1: Compatibility Factor

The various phases or components of a bid should be

compatible with the educational philosophy and policies of the local district (e.g., will the bidder employ local teachers and paraprofessionals?). When funding is done through Federal Title, the bidder must indicate that Federal Guidelines will be adhered to. The contractor should maintain contact with the local community to ensure that the public opinion is supportive of the contract.

2-6.2: Accuracy of Bids

Bids from firms for a guaranteed student performance contract must be scrutinized carefully. It is recommended that a bid evaluation team, representing the local district and comprised of persons familiar with educational procedure and local educational needs, be formed and given the responsibility of drawing up a guide, one which they would use when appraising bids that have been submitted. The guide should be a step by step checklist based on the details in the RFP. Management support, if available, can be of valuable assistance to local district personnel at this stage.

Some of the concerns that should be included in the guide are listed below:

(1) Turnkey potential

(2) Verification of target pupil population

(3) Cost Analysis--for economy, long-range cost, and cost range

(4) Guarantee of desired results

(5) Compatibility with district's education philosophy and policies

(6) Personnel to be used and lines of responsibility

(7) Instructional methods, materials, and equipment

2-6.3: Cost Analysis

The evaluation of a bid must include a cost analysis. An analysis of cost should isolate and project the dollar amount the community must spend per pupil to obtain specified instructional objectives. The analysis should include items such as cost per pupil, variations in cost per pupil as the total number of pupils varies, possible penalties for district and firm, achievement goal and cost per student per achievement gain level, and the distribution of funds by the contractor in areas of personnel, materials, and equipment. The cost range must be computed to determine the maximum possible cost and the fact that there is money available to meet the maximum cost. The relationship between initial cost and long range cost must be studied as a matter of feasibility.

Cost analysis of a guaranteed performance contract implies cost comparison between it and traditional methods used to teach that skill in the district. Cost effectiveness and associated managerial tools are new terms to many school administrators, but when they are used they should assist the district in the educational decision making process.

## 2-7: Operational Considerations

With the letting of the contract, plans must then be made for putting the contract into operation. Items to be considered may include: facilities set-up, lead time, scheduling of children, meeting visitor problems, public relations, and employment of local people.

## Section 3: The Guaranteed Performance Contract

### 3-1: Legal Implications

There are a number of legal questions inherent in guaranteed performance contracting. The subject of contracts connotes legal processes, laws, and statutes. Therefore, school districts when they are considering entering into a guaranteed performance contract are advised to seek legal counsel. Such legal counsel should reflect a background of knowledge about Michigan School Law as well as the broad area of contract agreements. Legal counsel should be involved in those sections of the contract dealing with teacher rights, liability of local board of education, teacher certification requirements, liability of contractor for accidents to children using contractor's equipment, and proper bid procedures. Whether the school district or the contractor prepares the contract, it is the school's responsibility to retain legal counsel.

### 3-2: The Guarantee

Guaranteed performance contracts share some common elements including the promise that an identified pupil in a population will reach a specified level of academic achievement or other specified attainment within a definite time allotment. Another common ingredient is an accurate assessment to determine if individual students have met promised performance criteria. This is usually termed the evaluation or verification of the guarantee provisions.

Although contracts have common elements, the methods for implementing them and their payout provisions vary greatly. Below are some hypothetical examples of payout provisions for a reading performance contract involving 300 students with $60,000 available:

PAYMENT SCHEDULE

| Grade Level Increase on Standardized Test | Payment Per Pupil - Four Different Proposals | | | |
|---|---|---|---|---|
| Tenths of a year's gain[1] | A | B | C | D |
| from 0 to 0.4 | $ 50 per pupil | $ 0 | $ 0 | -$200 |
| 0.5 - 0.9 | 75 | 75 | 0 | - 100 |
| 1.0 - 1.4 | 100 | 100 | 100 | 100 |
| 1.5 - 1.9 | 125 | 125 | 150 | 175 |
| 2.0 - 2.4 | 150 | 150 | 200 | 250 |
| 2.5 - 2.9 | 175 | 175 | 250 | 325 |
| 3.0 - 3.4 | 200 | 200 | 300 | 400 |
| 3.5 - 3.9 | 200 | 225 | 350 | 475 |
| 4.0 | 200 | 250 | 400 | 550 |

To illustrate what the above table means this partial explanation is provided: For each student in the project who makes a reading achievement gain from 0.5 of a year to 0.9 of a year during the period of the contract, the school district would pay $75 to the contracting firm under proposal A; $75 would also be provided under proposal B; whereas $0 would be provided under proposal C. Under proposal D the contractor would pay the school district $100, or, in effect, be penalized for not having the students realize the achievement provisions guaranteed in the contract.

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[1] Years and tenths of years are used in this table because they are the most widely used grade equivalent units for reporting scores on standardized achievement tests. Confusion may result when attempting to translate these figures into months of achievement gain in that some educators view .5 of a year's gain to mean 4 1/2 months, others view it to mean 5 months, and still others 6 months.

Whereas the previous examples in proposals A-D provide varying sized payments for different levels of student achievement gains, there is a simpler formula used in some contracts. This type of contract stipulates a set amount of money be paid for each child achieving one year's growth in the allotted time and no payment for any child failing to reach the agreed level of achievement. For example the school district agrees to pay Beta Company $100 when a child has achieved one year's gain in reading and if this level is not reached in the contract period, Beta Company is to receive no money.

Other more sophisticated payout provisions may be stipulated, each involving a larger element of risk to one party or the other. Where the risk is greatest, the payout or loss will be greater. It should be emphasized that the above examples of payout formulas are drawn from existing patterns of agreement but should not in any way preclude still other designs more appropriate to local conditions and needs. School districts are advised to exercise caution in entering into contracts involving sophisticated payout provisions. A management support group is most helpful here.

Proposals that relate remuneration to gains in student grade level achievement are only one type of performance measurement that can be used. Other examples that can be used as possibilities are: (1) a fixed amount per student (identified as a potential dropout) for each student who achieves a high school diploma or proportional amounts for credits earned toward a diploma; (2) a fixed amount per student who is gainfully employed within

N days of his departure from the school; (3) a fixed amount per student who demonstrates no anti-social activities as defined and agreed upon; or, (4) a fixed amount for specified percents of decrease in dropout rates.

3-3: Pupil Identification -- Logistics of Time, Space

A school district may enter into a guaranteed performance contract as the result of a needs study previously conducted within the district. The district has accurately determined that under current conditions it is not able to overcome the specific educational needs of certain children. In some instances, a proposal may be developed for all or part of the student population within a particular building, especially in target areas of severe economic and cultural deprivation. In other instances, the children selected may be widely dispersed throughout the various buildings comprising the school district.

The usual method of identifying and selecting students to participate is the standardized achievement test. Such tests are selected and administered by the school district or by an independent agency selected by the district. Usually students selected for a guaranteed performance contract are experiencing serious difficulties in their progress in school. They may lack certain critical learning skills. Federal and State categorical aid programs have guidelines stipulating achievement criteria necessary for student participation in

such programs. Two years below grade level may qualify a student in many funded programs in Michigan.

The concept of guaranteeing achievement may be controversial. School administrators are advised to have community support and parental commitment before placing students in such a program.

Many negotiated guaranteed performance contracts contain a provision that will allow the contractor to exclude those students who have mental or emotional deficiencies. This is a sensitive and potentially troublesome area and it should be given serious attention. Similarly, the contract may provide for the removal of a student for mental or emotional deficiency within a certain period of time after a student has participated in the program. It is suggested that the local district project director retain authority to make the final decision after an individual test has been administered to the student in question by a certified psychologist.

The school district and the contractor need to determine the minimum number of days or hours of instruction. Also, a student will normally need to be in attendance a definite percentage of time to be considered part of the guarantee. For those students who do not maintain the necessary attendance requirements, the contractor may require protection through partial payment. Therefore, the negotiated contract should be specific as to the payment schedule for students not completing the required instructional period. There will be

those students who will drop out of school, become ill, move from the district, or leave school for other reasons. It will be necessary to determine whether student vacancies occurring in the program are to be filled and, if so, a fair financial arrangement must be agreed upon by both parties.

It is also very important to set a maximum number on the hours of instruction in the guaranteed achievement program. Without such safeguards, it would be possible for the guaranteed performance contract program to take a disproportionate amount of the student's time. The school administrator has the responsibility to establish and maintain a balance in the total educational program, and to arrange the scheduling of classes to facilitate proper student attendance in the performance contract program.

The constitutional rights of students must always be safeguarded in the provisions of the contract. Recent court decisions have established and clarified student rights as they relate to the school. A contractor must assume that the same constitutional protections apply to students enrolled in the guaranteed performance program.

### 3-4: Contractor's Authority and Responsibility

The contract must have specificity regarding the expectations as to what the contractor's functions are to be. Care should be taken to leave nothing to oral agreement.

3-4.1: The contractor should be responsible for the instructional supplies and materials used in the program and the necessary training for the local school district personnel to successfully initiate and implement and turnkey the program.

3-4.2: The contractor should appoint a project consultant responsible for supplying appropriate materials and equipment, and for arranging the necessary pre-service and inservice training for staff and parents. The contractor should indicate the extent of commitment to research and development.

3-4.3: The contractor should certify that the instructional system, materials, and equipment to be used in the program are substantially the same as identified in its response to the local school district's request for proposal. The district should not be liable for the costs of a change to more costly instructional systems, materials, and equipment.

3-4.4: The contractor should agree to maintain and service any equipment used in the program and to replace within a specified time defective equipment.

3-4.5: The contractor should preserve and make its records available for a period of at least three (3) years from the date of final payment under the contract or for a length of time consistent with Federal or State rules and regulations. In addition, the contractor should be able to provide performance bond.

3-5: The Local School District's Authority and Responsibility

3-5.1: The local school district may appoint a project director to oversee all of the project activities of the contractor. The project director, as the authorized representative of the school district, should have general responsibilities for the coordination and administration of the program with regard to the district, contractors, the local community, project personnel, parents and student participants.

3-5.2: All personnel in the project may not necessarily be employed directly by the district. However, the contractor usually controls the teaching strategies used in the project.

3-5.3: The local school district should be expected to provide classrooms, maintenance, insurance, and custodial services for the duration of the contract.

3-5.4: The district should agree to arrange the scheduling of classes to facilitate attendance of students in the project and be responsible for such attendance and pupil management in all areas except the instruction carried on by the contractor.

3-5.5: The district should provide adequate facilities for storage of the contractor's program equipment.

3-5.6: All tests for project evaluation and for determination of the contractor's payment, or both, usually are under the control of the local school district. Such arrangements must be carefully spelled out in detail in the contract.

3-6: Equipment and Instructional Materials Considerations

The guaranteed performance contract must be specific in detailing the materials and equipment to be used in the program. It is important that the local district officials make prior review of all materials to ascertain that they contain nothing of questionable pedagogy, are not indicative of racial, religious, or ethnic bias, nor are of doubtful morality. It should be noted that while instructional control has been temporarily delegated to the contractor, the local board of education remains the responsible agent for education and is so held accountable in the eyes of the public and the law.

Another reason for describing materials and equipment to be used in the program is that such information is important to the turnkey provisions of the contract. Management and staff training must include knowledgeable and optimum utilization of the technology involved toward the time when the local school district will assume the system of instruction outlined in the contract.

3-7: Capital Outlay

Responsibility for the physical environment should be expressed clearly in the contract. Contracts may call for

space renovation or specially built-in apparatus at pro-rated cost for the installation and upkeep of these improvements. If borne by the local school district, these costs should be an important consideration in computing cost effectiveness and would be another item essential to effective turnkey.

### 3-8: Personnel Control

The performance contract should be explicit in its treatment of personnel matters and be consistent with teacher-school board agreements.

### 3-8.1: Status of Employment

The contract should specify for whom the staff works and on whose payroll. In addition, it should state who has the power to hire and fire from the project and who will be responsible for fringe benefits. Tenure may well be a factor in the orderly turnkey process.

### 3-8.2: Incentives

In the event that teacher incentives are used by the contractor they should be consistent with local personnel policies and so stated in the contract.

### 3-8.3: Administrative Relations

The contract should be specific in defining the relationship between the building principal and project teachers relative to building duties, inservice, and other professional matters.

3-8.4: Instructional Methodologies

The contract should indicate the degree of control that the contractor has over the teaching techniques to be employed.

3-8.5: Certification

The contract should guarantee that all instructional personnel will be appropriately certified in accordance with Michigan law.

3-8.6: Local Resources

For purposes of turnkey and assurance of continuity, it is advisable to select professionals and paraprofessionals from the local staff and community. If the local board of education agrees with this concept such provisions should become a part of the contract.

3-8.7: Inservice Training

The contract should state when inservice training will take place and who will bear the cost.

3-9: Public Relations, Visitations, Research

The contract should indicate the method of control for public information, on-site visits, and independent studies of the project. This is necessary to keep the lines of authority and communication clearly defined and effective. It is also a protective measure for both the local school district and the contractor to allow the instructional process to proceed

unhampered by extraneous influences. A good system of news releases and regulated visit will not prove to be obstacles in program effectiveness. It is important that control of research studies, extraneous testing and observations be designated to one key person and provided for in the contract.

3-10: Turnkey Provisions

A most necessary component of the performance contract is the turnkey provision; turnkey is crucial to the entire renewal process. Turnkey provides a method by which successful programs can be utilized effectively by the local school district with its own staff on a continuing basis. It is suggested that the contract provide for local district management training and teacher inservice education directed toward local "take over." In cases where the pedagogy involves specialized machines, inservice training should be directed toward maintenance and operation of the machines. A requirement to employ as many local and community people as possible in the project should be written into the contract. Close scrutiny of cost effectiveness for instructional components is also a necessary step toward eventual "take over" of the management system.

3-11: Retention Clause

To insure that the pupil achievement gains shown under a performance contract are of a permanent nature, it is suggested that the contract contain a retention clause stating that full

pay to the contractor be contingent upon a predetermined retention level at a specified time after the project has concluded. Hence, the local school district is protected against initial gains that last for only a short period of time. Some contracts have stipulated that a post-evaluation test be administered approximately five months after the conclusion of the project and final payment is contingent upon these results. A control group would also be tested for similar retention to provide a comparative measure.

For the purposes of obtaining longitudinal data relative to pupil progress, periodic evaluations should be made of students after they have left the contractual instructional program.

3-12: External Evaluation or Independent Audit

Payment for guaranteed performance contracts is in direct relation to achievement results. Therefore, it is in the best interest of the school district to insure the integrity of the reported achievement results. The external evaluation and the independent audit are utilized to safeguard the evaluation report.

The external evaluation can be conducted by a college or university or a commercial agency. The external evaluation group generally would work with school administrators in developing an appropriate evaluation design. They should help to select the test instruments, administer the pre and post tests as well as

interim tests, and report the results to the school district and the contractor. The reported final results are the basis for school district payment to the contractor for achievement gains made by project children.

The independent audit is an outside verification of the most important aspect of the contract program: the determination of outputs on a per pupil basis. The school district and the auditing group should develop a contractual agreement concerning the activities and procedures to be used. Generally the auditor should be expected to: (1) review the proposal; (2) critique the proposed evaluation design; (3) make recommendations concerning the adequacy of baseline data, types of measuring instruments, and the amount of data to be collected; (4) make recommendations for revision in evaluation design; (5) make on-site visitations; (6) conduct testing on a sample basis; and (7) make a detailed analysis of evaluation supplied to him.

The final audit, certifying achievement results, is the basis for payment to the contractor.

Section 4: The Role of the Michigan Department of Education in Guaranteed Performance Contracting

The Department of Education has assumed a leadership role in developing educational accountability in local schools, especially through the stimulation of local school districts to experiment with guaranteed performance contracting. Time, funds, and personnel have been committed to assist Department of Education staff to become more knowledgeable and expert about guaranteed performance contracting.

Guaranteed performance contracting is unique in its aim to guarantee learning by pupils and because of that it is receiving increasing attention and consideration in Michigan. It is frequently criticized because of its linkage to the industrial management complex. Most certainly, guaranteed performance contracting is laden with questions, problems, and possible hazards for the unsuspecting and the uninitiated. The emotional criticism and the potential pitfalls mandate vigilant involvement by the State Department of Education in guaranteed performance contracting for the mutual benefit of pupils, local school districts, and the public interest.

Few schools are presently knowledgeable enough to negotiate a contract that would fully protect the pupils and the public interest. Without expert technical assistance in contract negotiations, schools might very well agree to some details that are not in the best interest of the students and the general

public. The Department of Education will provide, to the extent possible, the technical assistance needed which might take the form of guides for negotiations, workshops, and consultant services to local school districts.

The high interest in guaranteed performance contracting and its potential would also seem to suggest a need for a central information source concerning operational guaranteed performance contracts within Michigan. The Department of Education will be knowledgeable about all guaranteed performance contracts awarded by public schools within the state. It is conceivable that all contracts will be filed with the Department of Education as well as the evaluations and the audit reports of the results. Up-to-date information will be made available by the Department of Education to all Michigan public schools requesting data about the details of guaranteed performance contracting projects in the state.

Review and approval of guaranteed performance contracts by the State Department of Education is necessary when contract payments are to be made from categorical State or Federal funds. Categorical funds carry guidelines and rules that are binding on the recipient agency. A review of contractual agreements, then is necessary to assure that the contract is in compliance with the program guidelines.

Specified procedures in carrying out the role of the Michigan Department of Education related to guaranteed performance contracts are as follows:

1. Provide written guides to local districts concerning the development of guaranteed performance contracts.

2. Conduct a series of workshops for the purpose of helping local district personnel to become knowledgeable concerning guaranteed performance contracting as well as the total concept of accountability in Michigan.

3. Serve as a clearinghouse for information concerning guaranteed performance contracting in Michigan.

4. Provide specialized consultant services to districts engaged in guaranteed performance contract negotiations.

5. Assist local districts in locating fund sources for guaranteed performance contracting. Such funds must be used within the regulations pertaining to the respective fund source.

6. Retain the authority to review and approve guaranteed performance contracts funded by State and Federal categorical educational funds administered by the State Department of Education.

## Section 5: Appendix

### 5-1: Representative Bibliography Relating to Performance Contracting

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## 5-2: Guaranteed Performance Contracts in Force During the 1970-71 School Year

The contracts cited below represent those known to the Michigan Department of Education as of this writing. Subsequent revisions of this Guide will include updated information as it is verified by the Department.

### 5-2.1: School districts participating in the O.E.O. Guaranteed Performance Contract research project.

| State and School District | Contractor |
|---|---|
| **Alaska** | |
| Anchorage | Quality Educational Development, Inc. |
| **California** | |
| Fresno | Westinghouse Learning Corporation |
| **Connecticut** | |
| Hartford | Alpha Learning Systems, Inc. |
| **Florida** | |
| Jacksonville (Duval County) | Learning Foundation International, Inc. |
| **Georgia** | |
| Athens (Clarke County) | Plan Education Centers, Inc. |
| **Indiana** | |
| Hammond | Learning Foundation International, Inc. |
| **Kansas** | |
| Wichita | Plan Education Centers, Inc. |
| **Maine** | |
| Portland | Singer/Graflex Corporation |
| Rockland | Quality Educational Development, Inc. |

| State and School District | Contractor |
|---|---|
| **Michigan** | |
| Grand Rapids | Alpha Learning Systems, Inc. |
| **Mississippi** | |
| McComb | Singer/Graflex Corporation |
| **Nevada** | |
| Las Vegas (Clarke County) | Westinghouse Learning Corporation |
| **New York** | |
| New York (Bronx) | Learning Foundation International, Inc. |
| **Pennsylvania** | |
| Philadelphia | Westinghouse Learning Corporation |
| **Tennessee** | |
| Selmer (McNairy County) | Plan Education Centers, Inc. |
| **Texas** | |
| Dallas | Quality Educational Development, Inc. |
| Taft | Alpha Learning Systems, Inc. |
| **Washington** | |
| Seattle | Singer/Graflex Corporation |

5-2.2: Other Projects

| State and School District | Contractor |
|---|---|
| **California** | |
| Gilroy | Westinghouse Learning Corporation |
| **Colorado** | |
| Cherry Creek | Dorsett Educational Systems |
| Englewood | Dorsett Educational Systems |
| North Glenn | Dorsett Educational Systems |

| State and School District | Contractor |
|---|---|
| **Florida** | |
| Jacksonville (Duval County) | Learning Research Associates |
| **Georgia** | |
| Savannah | Learning Foundations, Inc. |
| **Indiana** | |
| Gary | Behavioral Research Laboratories |
| **Massachusetts** | |
| Boston (Roxbury) | Educational Solutions |
| **Michigan** | |
| Fenton | Learning Foundations, Inc. |
| Flint | Educational Developmental Laboratories |
| Monroe | Behavioral Research Laboratories |
| Grand Rapids | Combined Motivation Education Systems, Inc. |
| Grand Rapids | Westinghouse Learning Corporation |
| Wayne | Learning Foundations, Inc. |
| **Pennsylvania** | |
| Philadelphia | Behavioral Research Laboratories |
| **Rhode Island** | |
| Providence | Communications Patterns |
| **South Carolina** | |
| Greenville | Combined Motivation Education Systems, Inc. |
| **Texas** | |
| Dallas | New Century Division, Meredith Corporation |
| Dallas | Thiokol Chemical Corporation |
| Texarkana USA (Arizona-Texas) | Educational Developmental Laboratories |
| **Virginia** | |
| Norfolk | Learning Research Associates |
| Buchanan County | Learning Research Associates |
| Dickinson County | Learning Research Associates |
| Lunenburg County | Learning Research Associates |
| Mechlenburg County | Learning Research Associates |
| Prince Edward County | Learning Research Associates |
| Wise County | Learning Research Associates |



END